Government of
Saskatchewan

Annual Report
1988-89

Agricultural
Credit Corporation of
Saskatchewan

Saskatchewan

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1988-89

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Credit Corporation of
Saskatchewan

90-03455/

Letters of Transmittal

Regina, Saskatchewan

Her Honour Sylvia O. Fedoruk
Lieutenant Governor
Province of Saskatchewan

Madam:

I have the honour to present the Annual Report of the Agricultural Credit Corporation of Saskatchewan for the fiscal year ended March 31, 1989.

Respectfully submitted,

Grant Devine, Premier
Minister-in-Charge
Agricultural Credit Corporation
of Saskatchewan

Swift Current, Saskatchewan

Honourable Grant Devine, Premier
Minister-in-Charge
Agricultural Credit Corporation
of Saskatchewan

Sir:

Presented herewith is the Annual Report of the Agricultural Credit Corporation of Saskatchewan for the fiscal year ended March 31, 1989.

Respectfully submitted,

Lynn Biggart
Chairman, Board of Directors
Agricultural Credit Corporation
of Saskatchewan

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President's Report

The Year in Perspective

Clearly, the most noteworthy aspect of 1988 for farmers in Saskatchewan was the drought which reduced crop production in many parts of the province. Although total farm cash income in the province rose by 2% in 1988, even distribution of this income did not occur. Crop losses, high feed costs and poor pasture production did little to improve the financial position of some farmers. As well, weak hog prices caused hardship for that sector of the livestock industry.

These factors, coupled with debt readjustment that is still occurring in the industry, provided a challenge to our lending staff in working with clients to ensure their financial obligations were fulfilled. The Corporation has continued to be as flexible as possible in dealing with all our clients.

Statistics indicate that 1988 saw the first decline in total outstanding farm debt in the country since the Second World War. This occurred largely as a result of new borrowing being less than the amount of debt repaid during the year. This was true of the ACS Capital Loan portfolio. New loan approvals have fallen to $9.5 million in 1988-89, down 14% from the previous year and down 54% from 1986-87 levels.

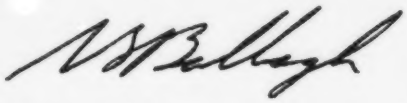
As well as the Capital Loan Program, the Corporation continued to administer collection of payments due on the Production Loan Program (PLP), a special assistance program which provided operating funds for farmers in 1986. While the original loan carried a 3 year term, poor economic conditions resulted in an extended repayment schedule being made available, an option taken by approximately 42% of the clients. At year end, $680 million remained outstanding.

The Livestock Cash Advance remained a popular program with an estimated 80% of livestock producers in the province involved. From the program's inception to March 31, 1989, over $237 million has been disbursed in interest free loans, providing farmers with an estimated $60 million saving in interest costs while encouraging diversification of the province's agriculture sector.

The Coming Year

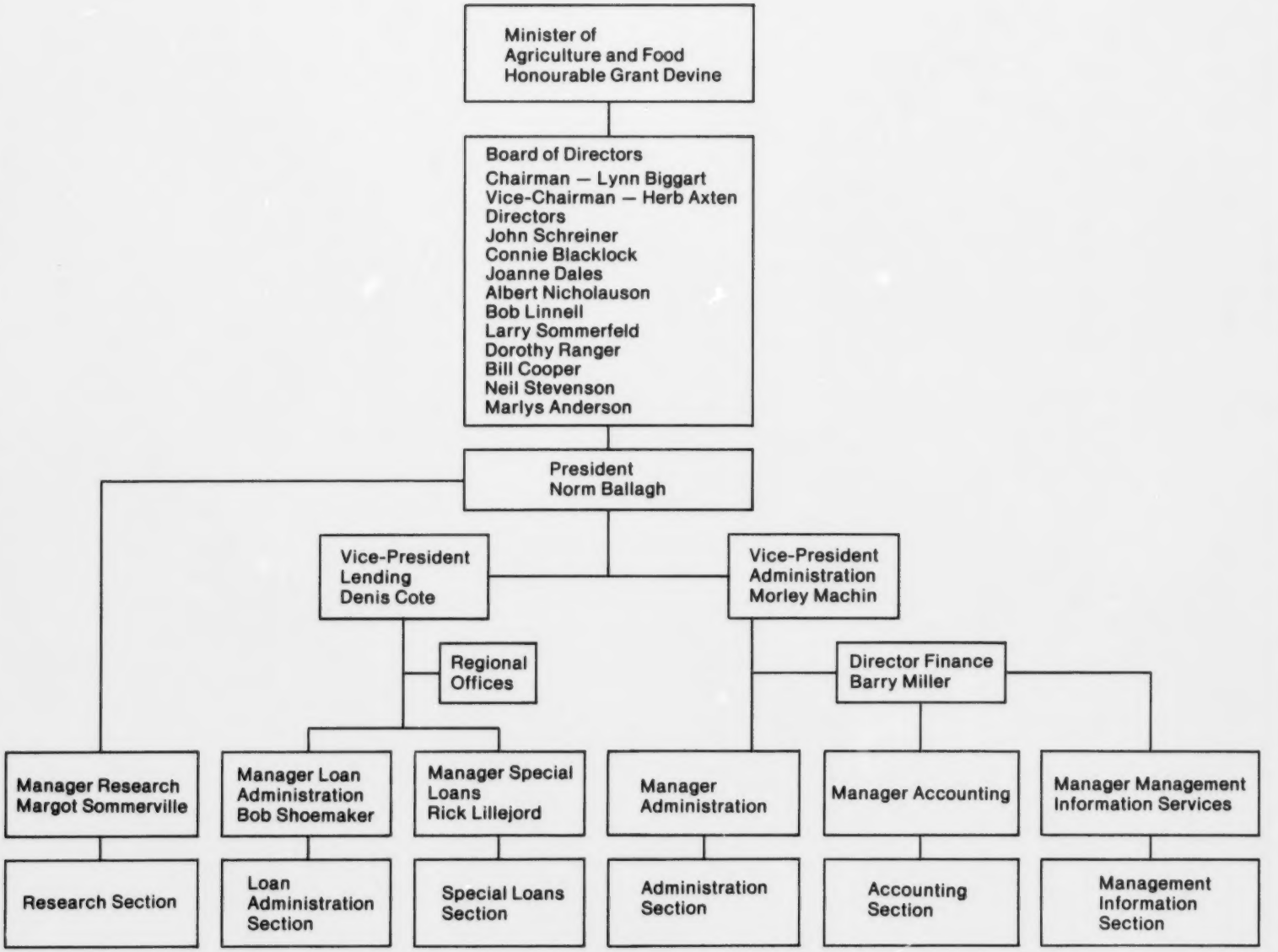
The coming year promises to be an exciting one for ACS. The Throne Speech announced that the Corporation's mandate will be expanded to allow greater access to existing and new programs by a more diverse clientele. Voids in home quarter and settlement financing will be filled by ACS. As well, in recognition of changes in the agriculture industry, eligibility criteria for the Capital Loan Program will be revised and lending policies will be modified and improved to respond to current industry needs.

While outstanding ACS debt will be reduced in 1989, the announced program changes will attract clients, increasing the Corporation's portfolio. Sound lending decisions by ACS staff will ensure the quality of that loan portfolio while continuing to provide financing to beginning and developing farmers in Saskatchewan.



Norman Ballagh
President

Organizational Chart



Corporation Offices

Head Office

250 Central Avenue North
Box 820
Swift Current,
Saskatchewan
S9H 4Y7
778-8455
1-800-667-7410
(toll free)

1. South-East Region

Regional Manager Lyle Ballard

REGIONAL OFFICE	DISTRICT OFFICES
Weyburn Square	Indian Head
110 Souris Avenue	695-2263
Box 2003	
Weyburn, Saskatchewan	Moosomin
S4H 2Z9	435-3357
848-2373	

2. South-West Region

Regional Manager Dennis Lafreniere

REGIONAL OFFICE	DISTRICT OFFICES
E. I. Wood Building	Assiniboia
350 Cheadle Street West	642-5955
Swift Current,	
Saskatchewan	Moose Jaw
S9H 4G3	694-3615
778-8485	

3. North-East Region

Regional Manager Don Pierce

REGIONAL OFFICE	DISTRICT OFFICES
Provincial Building	Prince Albert
1107-99th Street	953-2770
Box 1480	
Tisdale, Saskatchewan	Yorkton
S0E 1T0	786-1500
873-2266	

4. Central Region

Regional Manager Joe Rakochy

REGIONAL OFFICE	DISTRICT OFFICES
3130 8th Street East	Outlook
Saskatoon, Saskatchewan	867-8684
S9K 2H6	
933-5353	Watrous
	946-3395

5. North West Region

Regional Manager Bob Foreman

REGIONAL OFFICE	DISTRICT OFFICES
509 Pioneer Avenue	Shellbrook
Rural Service Centre	747-2151
North Battleford,	
Saskatchewan	Meadow Lake
S9A 1E9	236-4441
446-7667	

A. Capital Loan Program

The Capital Loan Program continues to be the main program through which ACS seeks to encourage diversification of the province's agricultural sector. Long term, subsidized loans are available for use in developing or expanding a livestock, irrigation or other intensive agricultural operation to Saskatchewan residents who meet a maximum net worth and non farm income criteria.

1. Assistance Provided

ACS approved 202 loans during the 1988-89 fiscal year, totalling $9,552,094. This represented a drop in dollars approved of 14% from the previous year and a 54% reduction in activity from the 1986-87 level of $20.5 million. Average loan size increased in 1988-89 to $47,288 from $39,112 in 1987-88.

Table 1

Total Capital Loans Approved

From Program Commencement

Year	Number	Amount
1973-83	6,837	$234,797,319*
1983-84	295	13,778,096
1984-85	381	20,863,676
1985-86	205	13,099,775
1986-87	417	20,540,242
1987-88	283	11,068,747
1988-89	202	9,552,094
Total	8,620	$323,699,949

* represents loans of $212,861,306 and grants of $21,936,013. Grants were discontinued in October 1983.

Of the total loan amount approved in 1988-89, 77% was for hog and beef enterprises, similar to last year's figure of 78%. Hog loans accounted for 39% of the total, beef loans for 38%, dairy for 14%, irrigation for 4% and others accounted for 5% of dollars approved.

Of the 12 loans made to other enterprises, 2 loans were for poultry operations, 3 sheep loans were made, 5 bee enterprises were financed and 2 loans were made for fur operations.

Figure 1

Capital Loan Activity — Enterprise Type

1984 to 1989

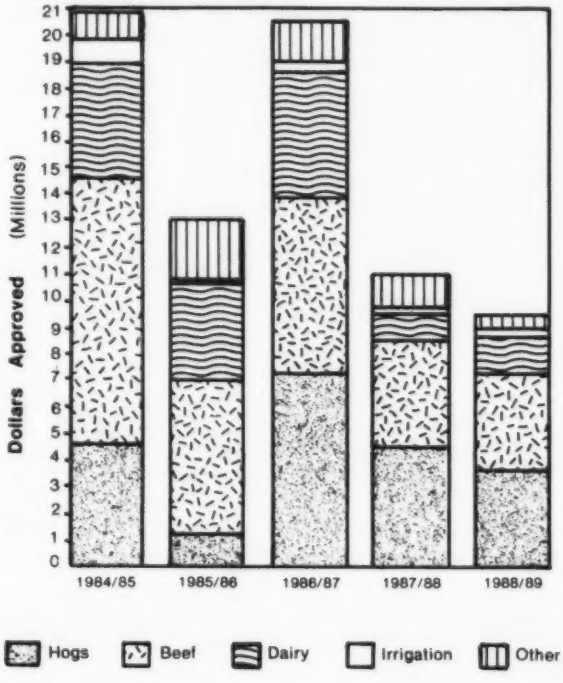


Table 2

Capital Loan Approvals by Type and Region

For the Year Ended March 31, 1989

Region	Hogs	Beef	Dairy	Irrigation	Other	Total	Number of Loans
Weyburn	$ 517,650	$1,216,655	$ 349,860	$ 0	$ 31,824	$2,115,989	32
Swift Current	521,014	1,246,127	277,338	0	25,110	2,069,589	65
Tisdale	464,052	365,620	0	0	160,752	990,424	33
Saskatoon	1,244,655	232,254	559,674	365,368	257,040	2,658,991	42
North Battleford	1,013,982	549,099	154,020	0	0	1,717,101	30
Total	$3,761,353	$3,609,755	$1,340,892	$365,368	$474,726	$9,552,094	
Number of Loans	61	104	14	11	12		202

Table 3

Capital Loan Disbursements by Type and Region

For the Year Ended March 31, 1989

Region	Hogs	Beef	Dairy	Irrigation	Other	Total
Weyburn	$ 471,445	$ 662,600	$ 353,278	$ 0	$ 15,022	$1,502,345
Swift Current	404,165	1,046,207	274,744	77,297	35,845	1,838,258
Tisdale	336,148	313,819	0	0	96,471	746,438
Saskatoon	935,110	292,327	462,074	274,396	25,404	1,989,311
North Battleford	814,418	731,133	154,020	0	10,019	1,709,590
Total	$2,961,286	$3,046,086	$1,244,116	$351,693	$182,761	$7,785,942

Actual disbursements of funds totalled $7,785,942 during the year as clients put their plans into action. The majority of hog operations were located in the Saskatoon and North Battleford regions where 60% of the funds for this enterprise type were disbursed. Swift Current region is the main centre for beef cattle, disbursing 34% of the beef funds. Dairying is centered around Saskatoon and Regina, the latter being in the Weyburn region. 65% of the funds disbursed for dairies were in these two regions.

Irrigation is found almost exclusively in the Saskatoon region, particularly around Outlook. All regions have a small amount of other enterprise types for which funds were disbursed in 1988-89.

The total dollars outstanding to ACS under the Capital Loan Program at March 31, 1989 were $151,866,950 divided among 5,749 loans. This dollar amount represents both current and delinquent principal and interest.

2. Repayments

At March 31, 1989 ACS had 3,824 active clients, 3,534 of whom were in the repayment phase of their loans. Arrears at fiscal year end were 27% of clients and 33% of the loan volume, a rise from last year's level of 22.5% and 27.8% respectively. Dairy and poultry enterprises showed the lowest levels of arrears at 13% and 19% respectively while hogs and beef had arrears of 33% and 38%. Sheep, bees and irrigation enterprises all exhibited arrears in excess of 50%, an indication of the difficulty faced in managing these types of operations.

3. Client Profile

A profile of 134 clients who obtained loans in 1988-89 showed that 48 had previous farm income which was equal to or less than zero. The average age of these clients was 31 and non-farm income averaged $11,412. These 48 clients had, on average, gross assets of $202,313 with an average net worth of $103,737. On average their debt load was divided between $17,212 short term and $80,253 long term. The average land base was 572 acres of which 314 was owned.

The other 86 clients reported average gross farm income prior to application of $48,280 with an average net farm income of $8,607. This group had an average age of 33 years, and non-farm income of $6,560. Gross assets averaged $300,468 with net worth at $163,598. Their debt load was divided between $21,342 short term and $118,720 long term. They owned 544 acres of a land base of 1,248 acres.

Table 4

Capital Loans Outstanding

To March 31, 1989

Type	Loans	Amount
Hogs	1,103	$ 36,816,177
Beef	3,505	63,689,614
Dairy	668	31,240,516
Poultry	80	5,023,800
Sheep	43	776,891
Bees	127	4,945,291
Irrigation	190	8,704,950
Other	33	669,711
Total	5,749	$151,866,950

B. Guaranteed Operating Loan

To assist those clients who have obtained a Capital Loan but who lack the necessary finances to meet immediate cash flow requirements, the Corporation provides a 90% guarantee on operating funds provided by a commercial lender.

During the 1988-89 fiscal year, the Corporation guaranteed 6 operating loans with a total value of $148,241. The contingent liability to ACS under this program at March 31, 1989 was $288,149.

Small amounts remain outstanding on two guarantee programs which have been discontinued. Contingent liability to ACS from the Guaranteed Livestock Loan and the Guaranteed Operating Loan for Feeders is $23,151 and $23,797 respectively.

C. Livestock Cash Advance Program (LCAP)

The Livestock Cash Advance Program, implemented in 1985, continues to provide 12 month, interest free loans to livestock producers.

From April 1, 1988 to March 31, 1989, $8,052,800 was disbursed under the LCAP bringing the total disbursed from the program's inception to $237,327,557. At the fiscal year end, $135,900,208 was outstanding to 16,201 clients under the LCAP. In addition, $12,801,428 was outstanding under the Repayment Cash Advance.

Prior to 1988, verification of livestock numbers for participants of the program was done on a random basis. In 1988-89 it became a condition of the program for each client to provide a herd audit performed by a local veterinarian or by personnel of the Livestock Branch of Saskatchewan Agriculture.

D. Production Loan Program (PLP)

The Production Loan Program provided low interest operating loans in 1986 and has since been in the collection phase. While the original loan was for 3 years at 6% interest, a number of changes have been made to the repayment schedule.

Under the PLP, the Corporation disbursed $1,093,818,235 to 57,614 applicants. Clients were later given the option of remaining on the 3 year schedule or extending repayment over 10 years. This latter option was taken by approximately 42% of the PLP participants. At March 31, 1989, 48,413 clients had outstanding production loans with a total value of $448,528,117. Of these clients 23,732 also had Extended Production Loans (EPL), that portion of the original loan termed out over ten years. The balance outstanding for EPL was $231,836,750.

E. Investment Loan Program

The Investment Loan Program was introduced in 1988 to provide long term financing at preferred terms to groups of farmers investing in a joint livestock operation. While the program originally required that projects be 80% owned by Saskatchewan farmers, this criteria was later removed to allow access by a wider spectrum of investors.

Up to $8 million is available to corporations, co-operatives or other groups of investors for the establishment or expansion of a hog production unit or beef feedlot. At the year end, no loans had been made under this program but several proposals were in progress.

Auditors' Report

To the Members of the Legislative Assembly
Province of Saskatchewan

We have examined the statement of financial position of the Agricultural Credit Corporation of Saskatchewan as at March 31, 1989 and the statements of operations and equity and changes in cash position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Corporation as at March 31, 1989 and the results of its operations and the changes in its cash position for the year then ended in accordance with the accounting principles disclosed in Note 2 to the financial statements applied on a basis consistent with that of the preceding year.

Price Waterhouse

Saskatoon, Saskatchewan,
June 29, 1989

Price Waterhouse
Chartered Accountants.

Statement of Financial Position

Statement 1

As at March 31
(in thousands)

	1989	1988
Assets		
Cash	**$ 535**	$ 2,421
Accounts receivable	**6,894**	131
Loans receivable (Notes 3 & 5)	**981,253**	1,202,221
Less: Allowance for loan losses (Note 4)	**144,278**	146,551
	836,975	1,055,670
Other assets	**—**	30
Office equipment (Note 2(d))	**989**	553
Prepaid and deferred costs (Note 2(e))	**2,924**	4,989
Total Assets	**$ 848,317**	$1,063,794
Liabilities		
Interest and other accrued payables	**$ 21,152**	$ 20,895
Unexpended grant repayable (Note 8)	**2,963**	539
Payable to Department of Agriculture (Note 3(d))	**5**	14
Notes payable (Note 6(a))	**94,700**	312,500
Deferred revenue	**—**	755
Current portion of Long term debt (Note 6(b))	**158,400**	—
Long term debt (Note 6(b))	**569,843**	728,243
	847,063	1,062,946
Equity		
Equity in office equipment	**989**	553
Accumulated surplus (Statement 2)	**265**	295
	1,254	848
Total Liabilities and Equity	**$ 848,317**	$1,063,794

The accompanying notes are an integral part of the financial statements

Statement of Operations and Equity

Statement 2

For the year ended March 31
(in thousands)

	1989	1988
Interest income		
Loans receivable	$ 74,427	$ 78,990
Interest expense (Note 7)		
Notes payable	24,590	65,351
Long term debt	73,080	45,836
	97,670	111,187
Net interest expense	23,243	32,197
Provision for loan losses (Note 4)	3,285	3,390
Administrative expenses (Schedule 1)	8,391	6,849
Other income	(3,096)	(1,799)
Loss before grants	31,823	40,637
Grants from the Province of Saskatchewan	31,793	40,464
Loss for the year	(30)	(173)
Surplus at beginning of the year	295	468
Surplus at end of the year	$ 265	$ 295

The accompanying notes are an integral part of the financial statements

Statement of Changes in Cash Position

Statement 3

For the year ended March 31
(in thousands)

	1989	1988
Cash provided by (used in):		
Operating activities		
Loss for the year	$ (30)	$ (173)
Items not involving cash		
Increase in provision for loan losses	3,285	3,390
Increase in accrued interest on loans receivable	(3,573)	(5,846)
Increase in accrued interest on debt payable	77	11,836
Amortization of debt issuing costs	2,100	1,694
Other non-cash items	199	(9)
	2,058	10,892
Loans to farmers	(15,839)	(26,299)
Loans receivable repaid	234,917	243,651
Other loan receivables	(207)	(166)
Other operating activities	(5,015)	(551)
Cash provided by (used in) operating activities	215,914	227,527
Financing activities		
Long term debt proceeds (net)	—	397,450
Net decrease in notes payable	(217,800)	(623,100)
Cash provided by (used in) financing activities	(217,800)	(225,650)
Net increase (decrease) in cash	(1,886)	1,877
Cash at beginning of the year	2,421	544
Cash at end of the year	$ 535	$ 2,421

The accompanying notes are an integral part of the financial statements

Notes to the Financial Statements
March 31, 1989

Agricultural Credit Corporation of Saskatchewan

1. **Status of the Corporation**

The Agricultural Credit Corporation of Saskatchewan Act came into force on January 1, 1984 repealing **The Agricultural Incentives Act**, proclaimed July 3, 1973. This new Act established the Agricultural Credit Corporation of Saskatchewan as a continuance for the corporation known as FarmStart which was previously established by **The Agricultural Incentives Act**. Under this new Act, a fund known as The FarmStart Fund was continued as the Agricultural Credit Corporation of Saskatchewan Fund, through which all transactions reflected in these statements were conducted.

2. **Significant Accounting Policies**

a) The Corporation has adopted the accrual basis of accounting.

b) Grant funds received from the Minister of Agriculture from the monies appropriated for a specific program which are surplus to the needs of that program for the fiscal year are reflected in the financial statements as a reduction of reported Grant revenue and as a payable for unexpended grants. Expenses incurred in the fiscal year which exceed the grant provided for that purpose are reflected in the financial statements as a deficit for the year and may be offset against the grant to be received for that purpose in the subsequent year (Note 8).

The current year Administration fund deficit of $486,815 will not be recovered in the subsequent year and is reflected in the statements as a charge against accumulated prior year surpluses.

c) Amounts recovered from farmers in respect of grants paid to them in prior years are retained by the Corporation as surplus.

d) Office equipment is expensed during the year of purchase. To maintain accountability for this equipment, the cost, net of disposals, is reflected on the Statement of Financial Position as an asset with an offsetting equity balance.

e) Discounts and expenses relating to the issuance of debt are amortized on a straight-line basis over the life of the debt and included in Interest expense on Long term debt. The unamortized costs are carried on the Statement of Financial Position in Prepaid and deferred costs.

f) Bonds and the related interest thereon payable in foreign currencies are hedged by currency contracts and are converted into Canadian dollars at the rates provided therein. The differences between the ultimate amounts payable at the contracted rates and the cash proceeds of the debt issues are considered to be financing costs and are therefore amortized by charges to Interest expense on Long term debt on a straight-line basis over the life of the debt.

g) The allowance for loan losses represents management's estimate of probable losses on the accounts outstanding at the end of the fiscal year. This allowance has been based, in general, upon an estimate of probable loan losses which have not yet been identified and, in part, on a review of existing loans in arrears (Note 4).

Actual loan losses are charged to the allowance while recoveries are credited to the allowance. The adjustment of the allowance to the level regarded by management as being appropriate is reflected in the Statement of Operations and Equity as the Provision for loan losses.

On October 1, 1987, the Corporation initiated a Capital Loan Allowance fee of 2% of the approved loan amount for all new applications. This fee has been set aside in a separate account to provide funding in the future for loan losses on Capital Loan Program loans approved after October 1, 1987. Interest is credited to the account on the previous month end balance at the rate of interest being paid on promissory notes due to the Province of Saskatchewan (Note 4).

3. **Loan Programs**

a) **Capital Loan Program**

Loans are repayable, with interest, over terms not exceeding fifteen years. The loans bear interest at rates varying between 6% and 14% depending upon the purpose and the year of issue. Security on individual loans varies according to what is considered adequate in particular circumstances, and includes mortgages on real property, security agreements and guarantees, as well as insurance on the lives of the borrowers.

b) **Production Loan Program**

Under the Production Loan Program introduced in January, 1986, the Corporation provided farmers, bee colony owners, potato producers and greenhouse operators with loans which bear interest at 6% repayable in equal principal installments over a term of three years. Loan disbursements on this program were completed December 31, 1986. Loans are secured by promissory notes and, where applicable, by shareholder guarantees.

In December, 1986, the Corporation provided borrowers with the option of amending the term of their existing loans to postpone the first principal payment and to extend the term of their loans by one year. Approximately 85% of the borrowers chose this option.

In December 1987 the Corporation provided borrowers with a further option of repaying the remaining principal in ten equal principal installments commencing on their anniversary date in 1988. Those funds which would have remained outstanding under the existing payment arrangement continue to bear interest at 6% with the balance of the funds bearing interest at 9¾%. Approximately 42% of the borrowers chose this option.

Due to financial difficulties being experienced in the agricultural sector, the Corporation allows borrowers who did not take the 10 year repayment schedule in 1988 the option to repay their remaining balance over 9 years commencing on their anniversary date in 1989. Those funds which would have remained outstanding under the existing payment arrangement will continue to bear interest at 6% with the balance of the funds bearing interest at 9¾%.

In addition, the Corporation is allowing clients who are experiencing financial difficulties to reamortize their delinquent loans during 1989. This option will provide for repayment of the outstanding balance over 9 years at 9¾%.

c) **Livestock Cash Advance Program**

Under the Livestock Cash Advance Program introduced in August, 1985, the Corporation provides livestock producers with loans which are interest free for twelve months from the date of disbursement, or less, if the number of livestock is reduced. Upon expiry, borrowers are provided with the option of amending the term of their existing loans to extend the interest free due date by one year, based upon their livestock inventory. Loans are secured by promissory notes and, where applicable, by shareholder guarantees.

Borrowers whose loans matured on and after August 1, 1987 were offered new one year interest free loans on 70% of their current livestock inventory. The balance, if any, of the existing loan was either repaid or converted to a term loan bearing interest at 8% repayable in three equal principal installments. The first installment was due one year from the conversion date. Approximately 32% of the borrowers chose the 8% term loan.

The interest free loans resulting from this change are being extended for a further one year period based upon herd inventory figures being provided by the clients.

d) **Other Loans**

Under Parts VI, VII and VIII of the Regulations under The Agricultural Incentives Act, the Corporation was authorized to make cash advances to cattle farmers for the purpose of maintaining their breeding stock. This program expired on March 31, 1980, and all loans and accrued interest became due and payable.

The Corporation administers Conservation and Development Loans for the Department of Agriculture. Principal and interest payments received on these loans during the year are recorded as payable to the Department of Agriculture. The loan balances are not included in the Corporation's statements.

4. Allowance for Loan Losses

	1989	1988
	(in thousands)	
Balance at beginning of year	**$ 146,551**	$ 145,682
Allowance fees charged and interest credited	**169**	21
Provision for loan losses	**3,285**	3,390
Loan losses recovered	**(22)**	296
Actual loan losses	**(5,705)**	(2,838)
Balance at end of year	**$ 144,278**	$ 146,551

5. **Loans Receivable**

	1989			1988		
	(in thousands)					
	Gross	**Allowance**	**Net**	**Gross**	**Allowance**	**Net**
Capital loans	**$ 151,938**	**$ 18,325**	**$ 133,613**	$ 159,411	$ 17,446	$ 141,965
Production loans	**680,365**	**107,890**	**572,475**	878,873	109,346	769,527
Livestock cash advances	**148,702**	**17,933**	**130,769**	163,676	19,629	144,047
Other loans	**248**	**130**	**118**	261	130	131
Totals	**$ 981,253**	**$ 144,278**	**$ 836,975**	$1,202,221	$ 146,551	$1,055,670

6. **Borrowing**

Under Section 19 of **The Agricultural Credit Corporation of Saskatchewan Act** the Corporation may, with the approval of the Lieutenant Governor in Council, borrow monies from various sources as it deems necessary for its purposes. Section 22 restricts total borrowing by the Corporation to $2,000,000,000.

a) **Notes Payable**

A note due to the Province of Saskatchewan's Consolidated Fund for $94,700,000 is outstanding at March 31, 1989 (1988 – $312,500,000). The note is due June 30, 1989 and bears interest at 12.25% (1988 – 8.63%).

b) **Long Term Debt**

All long term debt is repayable to the Province of Saskatchewan Consolidated Fund and is repayable in Canadian Dollars except as otherwise noted. Principal is due at maturity and bears interest at the following weighted average interest rates:

	1989		1988	
Year of Maturity	**Amount Due**	**Weighted Average Interest Rate**	**Amount Due**	**Weighted Average Interest Rate**
	(in thousands)		(in thousands)	
Debentures				
1994	**$ 17,845**	**9.00%**	$ 17,845	9.00%
1995	**19,292**	**8.77**	19,292	8.77
1996	**32,498**	**9.04**	32,498	9.04
1998	**4,657**	**9.49**	4,657	9.49
2000	**22,580**	**12.15**	22,580	12.15
2001	**28,412**	**15.36**	28,412	15.36
2002	**31,042**	**15.70**	31,042	15.70
2003	**13,517**	**11.59**	13,517	11.59
	$169,843	**11.91%**	$169,843	11.91%
Bonds				
1989	**$ 68,400***	**6.25%**	$ 68,400*	6.25%
1990	**240,000****	**9.13**	240,000**	9.13
1993	**50,000**	**9.75**	50,000	9.75
1996	**200,000**	**9.63**	200,000	9.63
	$558,400	**9.01%**	$558,400	9.01%
Total	**$728,243**	**9.68%**	$728,243	9.68%
Less: Long term debt due in one year	**158,400**		–	
	$569,843		$728,243	

*Swiss Franc/Canadian Dollar dual currency issue converted to Canadian Dollars with interest payable in Swiss Francs and principal repayable in Canadian Dollars

**Euro Canadian Dollar issues

7. **Debt Servicing Costs**

	1989	1988
	(in thousands)	
Interest on notes payable	$ 24,590	$ 65,351
Interest on long term debt	70,342	43,477
Amortized bond costs	2,738	2,359
	$ 97,670	$ 111,187

8. **Appropriations from the Province of Saskatchewan — Department of Agriculture**

Under Section 29 of **The Agricultural Credit Corporation of Saskatchewan Act**, the Minister of Agriculture may make grants to the Corporation out of monies appropriated by the Legislature. During the year ended March 31, 1989, grants were received for the payment of administration costs, interest on borrowed funds, losses incurred on loans extended under the Act, and costs incurred by honouring guarantees made under the Act. The Corporation is required to repay to the Consolidated Fund any surplus remaining from the grants received by it during the year.

Amounts recovered (net) from farmers in respect of grants paid to them in prior years are retained by the Corporation as surplus (Note 2(c)).

The following table summarizes activity for the year ended March 31, 1989:

(in thousands)	Administration	Interest Subsidy	Loan Losses	Grants to Farmers	Total
1988/89 Appropriations approved	$ 3,356	$ 26,742	$ 5,000	$ —	$ 35,098
Grant proceeds received	4,956	24,800	5,000	—	34,756
Gross expenditures	8,391	97,670	10,452	—	116,513
Add — prior year deficit	—	309	—	—	309
Add — surplus revenue (Note 2(c))	—	—	—	148	148
Less — transfer from accumulated surplus	(487)	—	—	—	(487)
Less — gross revenue	(2,948)	(74,427)	(7,167)	(148)	(84,690)
Net expenditure for purpose specified	4,956	23,552	3,285	—	31,793
Unexpended grant repayable	$ —	$ 1,248	$ 1,715	$ —	$ 2,963

9. **Guaranteed Loans Under The Agricultural Credit Corporation of Saskatchewan Act**

The Corporation provides guarantees on loans extended to farmers by commercial banks and credit unions.

Capital loan clients may be approved for guaranteed operating loans to help finance their operation. Loans made prior to January 1, 1984 are guaranteed for 80% while loans made subsequent to that date are guaranteed for 90%. The contingent liability of the Corporation for guaranteed operating loans outstanding or approved at March 31, 1989 is $288,149 (1988 — $281,797).

Loans to feed lot operators made prior to the December 31, 1986 program expiry date are guaranteed for 80%. The contingent liability of the Corporation for guaranteed operating loans for feeders outstanding at March 31, 1989 is $23,797 (1988 — $23,801).

Loans to livestock farmers made prior to the December 31, 1983 program expiry date are guaranteed for 80%. The contingent liability of the corporation for guaranteed livestock loans outstanding at March 31, 1989 is $23,151 (1988 — $29,225).

10. **Commitments**

At March 31, 1989 there were approximately $4,089,467 (1988 — $3,014,118) in Capital Loans approved but not yet disbursed.

11. **Related Party Transactions**

Routine operating transactions with various Saskatchewan Crown controlled departments, agencies and corporations with which the Corporation is related are conducted at prevailing market rates. These financial statements include the expense amounts resulting from occupancy costs and other routine operating transactions. All accounts are settled on normal trade terms and any outstanding amounts are included in the Statement of Financial Position.

Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and notes thereto.

12. **Directors and Officers**

The aggregate remuneration of directors and officers for the fiscal year included in salaries and benefits on Schedule 1 amounted to $227,670 (1988 – $215,301).

13. **Comparative Figures**

Certain of the prior year comparative figures have been reclassified to conform with the current year presentation.

Schedule of Administrative Expenses

Schedule 1

For the year ended March 31
(in thousands)

	1989	1988
Advertising	$ 62	$ 33
Data processing	1,368	1,358
Postage and courier	124	171
Printing and stationery	180	254
Professional services	625	717
Purchase of office equipment	72	68
Rent	484	382
Salaries and benefits (Note 12)	3,801	3,123
Security fees	855	47
Telephone	315	192
Travel and sustenance	367	327
Miscellaneous administrative costs	138	177
Total Administrative Expenses	$ 8,391	$ 6,849